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FOR IMMEDIATE RELEASE

TOWN OF MAMMOTH LAKES FILES FOR CHAPTER 9 BANKRUPTCY PROTECTION

Town of Mammoth Lakes, California, July 2, 2012 – At a special meeting on Monday, July 2, 2012, the Mammoth Lakes Town Council voted unanimously to authorize the filing of a petition for relief under Chapter 9 of the Bankruptcy Code in U.S. federal court. Bankruptcy, unfortunately, is the only option that the Town is left with, after its largest creditor, Mammoth Lakes Land Acquisition (MLLA) repeatedly refused to mediate its \$43 million judgment against the Town, and obtained a State court order requiring payment of the full judgment by June 30, 2012.

In the past few months, Mammoth Lakes has struggled with two problems:

One - a lack of sufficient revenue to pay its current and anticipated obligations, as evidenced by a \$2.7 million initial shortfall in its 2011-2012 fiscal year budget, balanced through painful measures in June 2011, an additional unanticipated shortfall of \$0.9 million in the same 2011-2012 fiscal year that forced the Town to reduce its already low available cash, and a projected \$2.8 million budget shortfall in its 2012-2013 fiscal year.

Two - a Writ of Mandate issued by a State Court ordering the Town pay a \$43 million judgment owed to MLLA by June 30, 2012.

The Town has attempted to deal with both of these problems in a responsible fashion, cutting many services and asking its employees and the majority of its creditors and other parties in interest to take substantial cuts in payment. These negotiations took place in the context of the neutral evaluation process established by the California Government Code (the AB 506 mediation), and concluded on June 29, 2012. The neutral evaluation was conducted by the Hon. David Coar (Ret.), a very experienced and respected former Bankruptcy and U.S. District Court Judge selected by the participants.

The Town has already implemented the cuts it proposed during mediation, in effect breaching many existing contracts. However, based on agreements reached with many of its creditors, these contract breaches will be cured in new agreements, contingent upon either (a) a settlement with MLLA or (b) a Chapter 9 plan confirmation. The Town's creditors and employees were willing to make their concessions as part of a global resolution of the Town's financial challenges; their agreements were not made

without reservations, their concessions are part of a global resolution that would allow the Town to move forward in a fiscally responsible manner.

As the Town acts in keeping with these agreements and as they are ultimately consummated, the Town will be able not only to overcome its structural fiscal issues, reflected in the annual budget shortfall, but also free up approximately \$500,000 a year that can be used to pay its creditors, including MLLA, over the next 10 years, or to obtain a bond supported by that same payment stream, the proceeds of which will be paid to creditors, including MLLA.

Although invited on multiple occasions, MLLA refused to participate in the AB 506 mediation to discuss settlement or demonstrate to the mediator and the participating creditors that the Town can afford to pay more. As a result, a mediation that might have succeeded in avoiding a Chapter 9 case failed because a crucial party simply refused even to attend and discuss any issues it might have.

The Town will ask the bankruptcy court to process its Chapter 9 case efficiently and quickly. The Town has limited financial resources and cannot afford a long drawn-out case. If the case lasts too long, it will significantly reduce the Town's available funds, necessarily reducing recoveries to the Town's unsecured creditors.

While the Town proceeds with its Chapter 9 bankruptcy case, it will remain open for business as expected, with the support from other governmental agencies:

- The Police and Fire Departments, along with other safety partners such as paramedics and Sheriff's office, will provide high levels of response and care;
- Road, parks, and airport maintenance services will continue as scheduled;
- Town Office business hours and service deliver will continue as usual without interruption of services;
- Community services and providers such as Mammoth Hospital, Mammoth Community Water District, and Mono County are separate from the Town and are not impacted.

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